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ABSTRACT

Successful phased retirement plans enable senior faculty to ease into retirement, relieve financial pressures on participating institutions, and permit upward mobility for junior faculty. Responses from 62 of the 72 land-grant institutions in the United States and Puerto Rico reveal that 11 had implemented plans that enable individuals between a certain age and the mandatory retirement age to retire gradually by reducing their full-time employment commitments over a period of years, without incurring serious financial penalty. The phased retirement plans are analyzed by characteristics, eligibility, contributions to retirement, startup of retirement benefits, reduction in time, salary, insurance coverage, miscellaneous benefits, and other incentives. Information is also provided on the rationales used by the institutions, the number of participants in the plans, the implementation dates, the savings generated or costs incurred by the plans, and the characteristics of the three plans judged to be most successful based on the number of participants and the savings to the institutions. The applicability of phased retirement plans for elementary and secondary schools is briefly considered. (MLF)

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PHASED RETIREMENT: A WAY TO ENHANCE QUALTIY

SRCEA

November 13-15, 1983

Submitted by:

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The University of Tennessee

Knoxville, Tennessee

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INTRODUCTION

Between now and the end of the century, higher education in this country could be facing a severe manpower problem. The reasons for this potential problem are many and complicated. Colleges and universities are experiencing what has been characterized as a "steady state" of growth. During a steady state, transitional changes in faculty flow and tenure ratios cease and become constant. Positions for new faculty are available, if at all, only when a position is vacated. Very few programs are growing and many are facing cutbacks, which include reductions in the numbers of faculty positions. Even though new, non-traditional students may be recruited, colleges and universities do not expect an increase in the demand for college professors.

The reduction in available faculty positions has already resulted in faculty members' remaining with their present institutions until they retire. During the education boom of the 1950's and 1960's, professors were recruited en masse. Many of these professors have by now acquired tenure and full professorial rank but are at least a decade or two away from retirement, especially now that mandatory retirement has been extended to age 70.

The steady state and retrenchment have, in some instances, made it necessary for faculty members to perform duties for which they may be ill-equipped. They may have had to "double up" and teach courses for which they are not suited. They may have had to take on unwanted administrative duties. Or they may have had to teach courses to non-traditional students, or off-campus, or at inconvenient times.

Some professors, for a variety of reasons, have not kept up in their fields, yet continue to teach, possibly to the detriment of their students and the institution.

Higher education is watching its faculty age; it has no way to invigorate its professorial ranks with the infusion of new blood--with the innovations and enthusiasm young faculty members bring to their institutions. As recruiting, hiring, and promotional rates decline, there will be fewer and fewer slots for new, young, ambitious doctoral graduates. Thirty-thousand doctoral students are graduating every year. Where will they go? As openings for new faculty positions diminish, fewer students will aspire to join the university community as professors, and graduate school enrollments will decline. Applications to and enrollment in graduate schools have been steadily decreasing, and recent cutbacks in federal aid to college students for grants and loans may cause graduate enrollments to decline still further.

A reduction in new faculty members could slow the spread and implementation of new ideas, discourage innovation, and produce a more conservative community. An aging faculty could lower the quality of instruction and research, especially if senior faculty members would rather retire and continue to work merely for financial considerations. Even "good" faculty members generally keep up with their fields only in specialty areas; a steady flow of new blood is vital to any institution. A decline in faculty openings may also slow or shut down altogether the pace of equal employment opportunities for women and minorities.

This is a study of phased retirement. The purpose of this study was to examine the phased retirement plans at land grant institutions to determine the following:

a) the prevalence of phased retirement plans,

b) the salient characteristics of such plans,

c) the underlying rationales of the plans, and

d) the effectiveness of the plans.

The investigator believed that an examination of phased retirement plans in operation would be the initial step in determining sound phased retirement policy for a particular institution.

Phased retirement could prove to be a viable remedy to higher education's manpower problems -- for several reasons. It can provide senior faculty, who for whatever reason, wish to retire prior to mandatory retirement, the means to phase into retirement with dignity. It could permit qualitative change in higher education. Researchers have found (Palmer and Patton, 1981; Ladd and Lipset, 1977) that many academics would be happier outside academia. If higher education has among its ranks a considerable number of reluctant incumbents, the quality of the educational enterprise is likely to decline.

Phased retirement can lessen the emotional and financial shock that full, abrupt retirement often causes. A gradual reduction in duties and salaries in the years immediately preceding full retirement will allow a smoother transition between work and retirement. Phased retirement provides flexible long-range planning, and creates upward mobility for junior faculty.

This study of phased retirement was undertaken in the following manner. All seventy-two land-grant institutions in the U.S. and

Puerto Rico were surveyed. The president of each institution was sent a letter asking for information regarding phased retirement at that institution. Since little was known about the incidence of extant phased retirement plans, the letter was broad and open-ended.

CONTENT ANALYSIS OF EXISTING PHASED RETIREMENT PLANS AMONG LAND-GRANT INSTITUTIONS

Of the seventy-two institutions surveyed, fifty responded immediately. The twenty-two non-respondents were sent follow-up letters. Twelve additional responses were obtained through the follow-up correspondence, for a total response rate of eighty-three percent. All but one response was via mail; one administrator responded by telephone. The quality of the responses varied. Some institutions responded by supplying the entire phased-retirement plan, their retirement system booklet, detailed calculations to show how the plan works, and the actual forms a faculty member interested in participating in the plan would use. Other institutions responded with a one-page letter which outlined the rationale and characteristics of their plan. Still others responded by writing across the face of the letter which was sent to them, and returning the letter to the investigator.

DISTRIBUTION AND DESCRIPTIONS OF PHASED RETIREMENT PLANS

Of the seventy-two land-grant institutions surveyed, eleven had flexible retirement plans that fell within the category of phased retirement. That is, eleven institutions had implemented plans which enabled individuals between a certain age and the mandatory retirement age to retire gradually by reducing their full-time employment commitments over a period of years, without incurring serious financial penalty. The locations of these institutions are represented in Figure 1. Four of these institutions are located in the Northeast part of the country: New Jersey, Vermont, New Hampshire and New York. Four of the institutions are located in the Midwest and Plains States: Michigan, Minnesota, Iowa and Nebrasksa; and three are located in the West: Utah, Nevada and California. No phased retirement plans were reported among land-grant institutions in the South or Southeast. Several institutions expressed interest in phased retirement, including institutions in the South, and requested information on the findings of this study.

The phased retirement plans were analyzed by the name of the plan, the characteristics of the plan, eligibility for the plan, the approvals required for participation, the institution's mandatory retirement date, the date the program was established, and the authorization for the plan.

Figure 1. Geographic Locations of Phased Retirement Plans at Land-Grant Institutions

CHARACTERISTICS OF PHASED RETIREMENT PLANS

Type of Plan

Most institutions had a name for their plan which reflected the type of program the institution had implemented. Seven institutions (Cornell, Iowa State, Michigan State, University of California, University of Minnesota, University of Nevada and Utah State) had program names which use the term "phased retirement." Three institutions (University of New Hampshire, University of Vermont and University of Nebraska) had "partial retirement" plans, and one institution (Rutgers) had a "gradual retirement" plan. These eleven institutions have been categorized for purposes of this study as having a type of phased retirement plan.

Contributions to Retirement System(s)

One characteristic of phased retirement which is discussed in the literature on phased retirement is the continuation of contributions to the participants' retirement system(s). Part of the rationale of phased retirement is to allow an individual to withdraw from the work force gradually without undue financial penalty or hardship.

Continuation of contributions to retirement systems during the phase-in period can make a substantial difference in the amount of retirement annuity an individual will receive upon complete retirement.

Of the eleven institutions categorized as having phased retirement plans, all but one (Utah State University) continue to contribute to participants' retirement system(s). Of the institutions which continue contributions to the retirement system(s), three base

retirement contributions on the participant's full-time equivalent salary (University of Nevada, University of Nebraska and Rutgers). Others base retirement contributions on the full-time equivalent salary only if the participant works 50 percent or more of full-time (University of Minnesota and Cornell). Iowa State contributes to two different retirement systems in two distinct manners: contributions to TIAA-CREF are based on full-time equivalent salary; contributions to the state retirement system are based on the reduced salary.

The University of California system contributes to the retirement system based on the full-time equivalent salary if the participant defers drawing retirement benefits. If the participant receives retirement benefits during the phase-in period, contributions to the retirement system are based on the actual salary.

Michigan State University, The University of New Hampshire and the University of Vermont base their contributions on the actual salaries of participants in their phased retirement plans. No information on continuation of contributions was provided by Utah State University.

Start-Up of Retirement Benefits

Another characteristic of some phased retirement plans which can ease the transition from full work to full retirement is the receipt of retirement benefits during the phase-in period. Four of the ten institutions with phased retirement plans allow for participants to receive retirement benefits during the phase-in period (Iowa State, Michigan State, University of California and University of Vermont). Three institutions do not permit phased retirement participants to draw retirement benefits (Utah State, University of Nebraska

and Rutgers). Cornell, University of Minnesota, University of Nevada and University of New Hampshire did not provide that information.

Reduction in Time

As far as the percentage of full-time a phased retirement participant is permitted to work, there seems to be no standard amount among the eleven institutions examined. Five of the institutions permit participants to work any fraction of full-time equivalency (University of California, University of Nebraska, University of New Hampshire, University of Vermont and Utah State). Some institutions stipulate the minimum percent of full-time a participant may work, while others restrict the maximum amount. Participants at Michigan State, Rutgers and the University of Nevada must work at least 50 percent of full-time. At the University of Minnesota, participants may work no more than 75 percent of full-time, and Cornell's participants are restricted to 50 percent of full time or less. Faculty at Iowa State may work between 50 and 80 percent of full-time only.

Salary During the Phase-In Period

All of the institutions with phased retirement plans base participants' actual salaries on a percentage of their full-time equivalent salaries. In most cases, if a participant earned $40,000 during his or her final year of full-time work, and reduced his or her appointment to 75 percent of full-time, he or she would receive 75 percent of the full-time equivalent salary, or $30,000. In addition, Iowa State University provides participants with a bonus equalling ten percent of their full-time equivalent salaries for the first four years of participation in the phased retirement program.

Insurance Coverage

The insurance coverage provided to phased retirement participants varies among the institutions reported. Six of the institutions specify that health insurance is provided (Cornell, Iowa State, Michigan State, Rutgers, University of Minnesota and Utah State). Cornell, Michigan State and the University of Minnesota state that health insurance coverage is identical to that for full-time faculty. Rutgers reported merely that health benefits are provided, Iowa State reported that the health insurance premium is split between the individual and the institution, and Utah State provides coverage dependent upon the percentage of full-time one works.

Life insurance is provided by two institutions (Cornell and Iowa State). Michigan State and Rutgers provide dental insurance the same as for full-time faculty. Optional life insurance is offered by Cornell and Michigan State, but participants at Michigan State must bear the cost of the premium. Disability coverage is provided by Iowa State and Michigan State. At Iowa State, the premium is split between the individual and the institution; at Michigan State, disability is based on the participant's reduced salary. Cornell offers accidental death insurance; Michigan State provides travel and supplemental health insurance to participants.

Three institutions reported that insurance coverage for participants is the same as for full-time faculty, but the extent of the coverage was not indicated (University of California, University of Nebraska and University of New Hampshire). The University of Vermont reported that all insurance is provided on a pro rata basis. The University of Nevada made no mention of insurance coverage.

Miscellaneous Benefits

A wide variety of miscellaneous benefits other than insurance coverage is found among phased retirement programs. Tenure rights continue for phased retirement participants at The University of California, The University of Nebraska and the University of Minnesota. Participants at the University of Nebraska are eligible for travel and research monies; University of California and University of New Hampshire participants are eligible for sabbaticals, sick leave and annual leave. Cornell University offers tuition wavers for the children of phased retirement participants.

Several institutions offer discounts on athletic tickets and bookstore purchases (Utah State University, University of Nebraska, Cornell, and University of California). Parking is provided for participants at Utah State and University of Nebraska. Cornell and Utah State allow participants access to their libraries.

Other miscellaneous benefits reported are use of athletic facilities (Cornell), office space (University of Nebraska), membership in the Emeriti Association (Utah State) and retirement counseling (Utah State).

Iowa State, Rutgers, University of Nevada, University of New Hampshire, and University of Vermont make no mention of miscellaneous benefits offered to phased retirement participants.

Other Incentives

Two institutions provided information on other incentives which promote phased retirement. Utah State provides an incentive payment in the form of 8 percent of the difference between the employee's total annual earnings and his or her proportionate salary at the time

application is made for phased retirement. This incentive is paid in monthly installments for a maximum of six years or until age 65, whichever comes first. The incentive is adjusted annually, and is based on salary adjustments paid to other employees who are performing at a satisfactory level.

New Hampshire provides a supplemental stipend equal to a percentage of the difference between a participant's phased retirement salary and his or her full-time equivalent salary. This percentage is the same figure as that used to calculate annual stipends to participants in the early (full) retirement programs, and increases with years of service at the time of retirement.

Salary Increases

Of the eleven institutions that have implemented phased retirement plans, four report that participants in the plan are eligible to receive salary increases during in the phase-in period (Rutgers, University of Nevada, University of Nebraska and University of California). Two of the institutions provide that phased retirement participants receive salary increases the same as for full-time faculty (University of Nevada and University of Nebraska). Rutgers bases salary increases on the participant's full salary equivalent. Although the University of California reports that participants are eligible for cost-of-living and merit increases, there was no information provided on how these increases are determined.

Six institutions (Cornell, Iowa State, Michigan State, University of Minnesota, University of Nebraska and University of Vermont) made no mention of salary increases in their phased

retirement plans. Utah State participants are not eligible for salary increases.

Eligibility Requirements

Of the eleven institutions responding, the modal age for participation eligibility was 60, with 10 years service (University of Nevada, Cornell) or 20 years service (Iowa State and University of California). Nevada also showed eligibility at 55 with 30 years service. Three institutions (Utah State, University of Nebraska, and University of New Hampshire) set eligibility at age 55: Nebraska with 10 years service, New Hampshire with 15, and Utah State with a provision that age and service must equal 65. The eligibility requirements for the University of Verlont are set at age 62 with 15 years service. The University of Minnesota set age requirements only (at age 52), and Rutgers set the eligibility at one year prior to normal retirement age. Michigan State requires that participants must have been scheduled for curtailment and that they be vested in the retirement system.

Length of Phase-In Period

Institutions vary on whether the length of the phase-in period is based on a given number of years or a maximum age limit. Four institutions place a limit on age: University of Nebraska, University of California and Utah State (age 70); and University of New Hampshire (age 65). Three place the emphasis on limiting the length of phase-in: University of Nevada (5 years), Michigan State (2 years) and Rutgers (1 year). The University of Minnesota participants may remain in the phase-in period 10 years, or until age 70, whichever occurs first. Cornell, Iowa State, and the University of Vermont make no mention of the length of the phase-in period.

The characteristics of the eleven institutions with phased retirement plans are depicted in Table 1.

THE UNDERLYING RATIONALES AND NUMBERS OF PARTICIPANTS OF THE ELEVEN PHASED RETIREMENT PLANS

Table 2 provides information on the rationales used by institutions which have implemented phased retirement, the number of participants in the plans, the implementation dates, and the savings generated or the costs incurred by the plans.

The Rationales

The most often-cited rationale for phased retirement is to provide participants the opportunity to retire gradually. Cornell, Iowa State University, Rutgers, University of California, University of Nevada, University of New Hampshire, University of Vermont and Utah State University all cite this as the primary reason for implementing a phased retirement plan at their institution. The University of Minnesota states that phased retirement aids in implementing desired changes in program directions. Nebraska maintains that phased retirement has three purposes: it is a benefit offered to long-term employees; it may provide economic savings for the institution; and it permits the infusion of fresh talent, ideas, and concepts within the University. Michigan State implemented phased as well as early retirement options for a limited period of time to assist departments in budget reductions due to the institution's financial difficulties.

TABLE 1

CHARACTERISTICS OF PHASED RETIREMENT PLANS AT ELEVEN LAND-GRANT INSTITUTIONS

Institution	Contributions to Retirement	Start-Up of Retirement Benefits	Reduction in Time	Salary
Cornell University At Ithaca)	Based on full-time equivalent salary if working 50% or greater.	Yes	Appointments should normally not exceed 50% of full-time equivalency.	% of full-time equivalency.
Iowa State University	Contribution to TIAA-CREF continue at full-time equivalency level. Contributions to State retirement system based on actual salary.	TIAA-CREF Benefits may begin.	May work 50-80% of full-time. May be accomplished directly or via a stepped schedule.	% of full-time equivalency plus 10% of full-time equivalent salary (4 yrs maximum) 5th year--50% maximum of full-time.
Michigan State University	Contributions to TIAA-CREF continue based on reduced salary.	TIAA-CREF benefits may begin.	Must work at least 50% of full-time and for at least 9 months per year.	% of full-time equivalency.
Rutgers	Based on full-time equivalent salary.	No.	Must work at least 50% of full-time.	% of full-time equivalency.
University of California System	Based on full-time equivalent salary if participant does not draw retirement benfits; based on actual salary if participant draws retirement benefits.	May draw benefits from UCRS.	May work any fraction of full-time.	% of full-time equivalency.
University of Minnesota	Based on regular full-time salary if participant is working 50% of full-time or greater.		May work no more than 75% of full-time.	% of full-time equivalency. equivalency.
University of Nebraska	Based on full-time equivalent salary.		% of full-time equivalency.	% of full-time equivalency.

TABLE 1 (CONT'D)

Institution	Contributions to Retirement	Start-Up of Retirement Benefits	Reduction in Time	Salary
University of Nevada	TIAA-CREF Contributions based on full-time equivalent salary.		50% or more of full-time equivalency.	Proportion of last year of full-time employment.
University of New Hampshire	TIAA-CREF based on a pro rata salary.		% of full-time equivalency.	% of full-time equivalency.
University of Vermont	Based on pro rata salary.	Yes. Partial retirement may be requested.	% of full-time equivalency.	% of full-time equivalency.
Utah State University		No	Any specified percentage of full-time.	% of full-time equivalency.

Institution	Insurance Coverage	Miscellaneous Benefits	Other Incentives	Salary Increases	Eligibility Requirements		Length of Phase-In Period
					Age	Service	
Cornell University (At Ithaca)	Life--1 x salary. Supplemental Life--3 to 6 x salary. Accidental Death--up to 10 x salary. Health--as for full-time faculty.	Children's tuition waver, use of athletic facilities, employee discounts, library use.			60	10	

TABLE 1 (CONT'D)

Institution	Insurance Coverage	Miscellaneous Benefits	Other Incentives	Salary Increases	Eligibility Requirements Age	Service	Length of Phase-In Period
Iowa State University	Life, health and disability; premium split between institution and individual.				60	20	
Michigan State University	Dental, health, travel insurance continue as for full-time faculty. Individual must pay entire optional life and health insurance premium. Disability and expanded life insurance available based on reduced salary.				Must be scheduled for curtailment, must be vested in the retirement system.		2 years.
Rutgers	Health and dental benefits provided.			Based on full salary equivalent.	1 year prior to normal retirement age.		1 year.
University of California System	Continued the same as for full-time employees.	Tenure rights, eligibility for sabbatical leave, sick and annual leave.		Eligible for cost of living and merit increases.	60	20	Until age 70.
University of Minnesota	Health insurance same as for full-time faculty.	Same as for full-time faculty.			52		10 years or age 70.
University of Nebraska	Continued the same as for full-time faculty.	Tenure, parking, athletic tickets, office space, travel and research monies.			55	10	Until age 70.

TABLE 1 (CONT'D)

Institution	Insurance Coverage	Miscellaneous Benefits	Other Incentives	Salary Increases	Eligibility Requirements Age	Eligibility Requirements Service	Length of Phase-In Period
University of Nevada				Same as for full-time faculty.	60 55	10 30	5 years.
University of New Hampshire	Continued the same as for full-time faculty	Sabbatical leave.	Univer. provides supple. stipend -to difference between full-time equivalency salary and 100% of full retirement benefit x a calculated full early retirement benefit.	Same as full-time faculty.	55	15	Until age 65.
University of Vermont	All provided on an as is basis.				62	15	
Utah State University	Medical: 87.5% time-full coverage; Univ. pays full premiums 75-87.4%-employee pays 25% of premium. 50-74.9%-employees pays 40% of premium. less than 50%-benefit paid on a pro rata basis.	Educational benefits, parking, bookstore discounts, educational facilities, library use, season ticket discounts, membership in Emeriti Assn., retirement counseling. Annual & Sick Leave: pro rata basis.	8% of difference between total annual earnings and proportionate salary-paid until age 65.	No	Age and service = 65 55		Until age 70.

TABLE 2

RATIONALES, NUMBERS OF PARTICIPANTS, IMPLEMENTATION DATES AND SAVINGS/COSTS OF PHASED RETIREMENT PLANS AT ELEVEN INSTITUTIONS

Institution	Rationales	Numbers of Participants	Implementation Dates	Savings Generated	Costs Incurred
Cornell University	To provide a gradual transition to retirement for the faculty member and the department.	16	July 1, 1980	Projected to be from $1,000 - $5,000 per participant.	
Iowa State University	To give persons nearing retirement age an opportunity to continue their professional activities at a reduced pace to help them pursue other interests outside the University community.		July 1, 1982	Unknown.	
Michigan State	To assist departments in budget reductions due to financial difficulties	50*, 65 anticipated by 6/15/82.	March, 1981	Each proposal must generate net savings to the University.	
Rutgers	To permit faculty to reduce their workload during the period immediately prior to retirement.	2	1980		
University of California System	To permit individuals to retire gradually by reducing their full-time employment commitments.	93	1980	Not available. Average salary savings, however, net of fixed cost charges, are near 40%.	A fixed cost is charged to the participant's campus for each year of participation. The charge for the 1983 group of phased retirees electing to receive retirement income is $3,000.

TABLE 2 (CONT'D)

Institution	Rationale	Number of Participants	Implementation Date	Savings Generated	Costs Incurred
University of Minnesota	To help implement desired changes in program directions or to maintin excellence in programs at a time when such things could not be done without internal reallocatin of funds.		March, 1982	Too early for specific infortion.	
University of Nebraska	To provide a viable benefit option for long term employees. To provide potential economic savings for the Institution. To provide increased potential for the continued infusion of fresh talent, ideas and concepts within the University.	Quite low thus far.	Oct., 1980	Too early to determine.	
University of Nevada	To provide an incentive for employees to retire early.	1	1979		
University of New Hampshire	To provide a means for employees with long years of service to phase out of full-time active employment with the University system.	35	July 1, 1977	The program is self-funding, sufficient money is recovered so that the program requires no new revenues.	
University of Vermont	To provide a means for employees to reduce effort to less than full-time.	8	Oct., 1980	Net savings.	
Utah State University	To offer employees the opportunity to reduce their workloads and to phase gradually into retirement.	34	Sept., 1980		The program has not cost the University any dollars.

Numbers of Participants

Of the institutions reporting, the numbers of participants in phased retirement plans ranged from 93 (University of California) to 1 (University of Nevada). The numbers of participants, in descending order are: 93 (California), 50 (Michigan State), 35 (New Hampshire), 34 (Utah State), 16 (Cornell), 8 (Vermont), 2 (Rutgers) and 1 (Nevada). Iowa State and University of Minnesota, both of which implemented phased retirement programs in 1982, had no report on the numbers of participants. The University of Nebraska, rather than reporting a numerical figure, stated that the number of participants at that institution was "quite low."

Implementation Dates

The earliest implementation date was 1977 (New Hampshire). Nevada's plan was realized in 1979. It is noteworthy that while Nevada's plan has been in operation longer than any other institution's except New Hampshire's, it has the fewest participants of those reporting any participants (only one). Cornell, Rutgers, University of California, University of Nebraska, University of Vermont, and Utah State executed phased retirement plans in 1980. Michigan State's plan was initiated in 1981. Iowa State and University of Minnesota have implementation dates of July 1982 and March 1982, respectively.

Savings Generated

None of the eleven institutions reporting was able to provide information on actual savings generated by phased retirement plans. Several institutions, however, did report estimated or projected savings. Cornell projected a savings of $1,000 - $5,000 per phased retirement participant. The University of California estimated

average salary savings of approximately 40 percent. Michigan State reported that each proposal for participation must generate net savings to the University. New Hampshire stated that the program is self-supporting; no new revenues are required to fund the program. Vermont reported "net savings." Iowa State, University of Minnesota and University of Nebraska admitted that the program was too young for any savings to be determined. Rutgers, University of Nevada and Utah State provided no information in this regard.

Costs Incurred

Only one institution reported any cost to the institution caused by the phased retirement program. The University of California charges a fixed cost to each campus or laboratory each year. The charge for 1983 is $3,000. Utah State, while not reporting any savings generated by phased retirement, reported that such a plan "has not cost the University any dollars." The remaining eight institutions did not report on costs incurred by phased retirement.

SUCCESS OF THE ELEVEN PHASED RETIREMENT PLANS

Many of the phased retirement plans that have been implemented in the institutions discussed previously have been in operation only a short period of time. It is therefore extremely difficult to determine their degrees of success. However, for comparison purposes, "success" or "effectiveness" of phased retirement plans can be judged on two criteria: (1) the number of participants and (2) the savings to the institution. If these two criteria are used to determine success or effectiveness, the plans can be compared, and salient characteristics can be identified.

The University of California Plan

The University of California plan has attracted the largest number of participants. California also reported the highest savings (roughly 40 percent). This "success" may be attributable to some phenomenon not reported (e.g., publicity, coercion, etc.); but it may be accounted for by a particular characteristic peculiar to the University of California's phased retirement plan. One characteristic of California's plan is liberalized time reduction for the participant. The participant is not restricted to working a certain set percentage of full-time (e.g., 50 percent or 80 percent). Rather, a participant in phased retirement may work any fraction of full-time.

California offers a generous fringe benefit package to participants as well. Insurance coverage is provided to phased retirement participants the same as to full-time employees.

California's miscellaneous benefits are among the more liberal found among the eleven institutions examined. For example, tenure rights continue (Nebraska is the only other institution reporting this benefit.) Eligibility for sabbatical leave is offered to University of California participants, and only one other institution (New Hampshire) reported that particular privilege, although Minnesota reported that phased retirement participants were eligible for the same benefits as full-time faculty. Sick and annual leave accrue for California's participants. Only two other institutions provide that privilege. California is one of only four institutions which reported that participants are eligible for salary increases.

Based on the information provided, it seems reasonable to conclude that differences in the characteristics between The University of California and the other institutions reporting may account for the differences in the degree of success (as defined by number of participants and savings generated) between The University of California's plan and the plans of other institutions.

The University of New Hampshire Plan

The University of New Hampshire seems to have a "successful" phased retirement plan as well--35 faculty have participated, and the program is self-funding; it requires no new revenues. New Hampshire, like California, provides insurance coverage the same as for full-time faculty. Participants are eligible for sabbatical leave. The eligibility requirements are among the less rigid (age 55 with 15 years of service). The University of New Hampshire provides a supplemental stipend to participants, which is equal to a portion of the difference between the person's full retirement benefit and full-time equivalent salary. New Hampshire also permits participants to work any percentage of full-time they choose.

The Utah State University Plan

Utah State University's plan has 34 participants, and has not cost the University any money; it therefore is considered "successful." Although the health insurance is not as complete at Utah State as at California or New Hampshire, several miscellaneous benefits are provided, including educational benefits, parking, faculty discounts, use of educational facilities, retirement counseling and membership in the Emeriti Association. Moreover, Utah State also provides a stipend to participants in the amount of 8 percent of the difference between

participants' full-time equivalent salary and their actual phased retirement salary.

The characteristics at these three institutions may serve to make the plans quite attractive to potential participants, so that significant numbers of faculty choose to participate. It should be noted that Michigan State reported 50 participants in their Special Voluntary Retirement Options. This number includes not only phased retirement participants, but early retirement and unpaid leave of absence participants as well. Although Michigan State's program may be considered "successful" due to the relatively large number of participants, it is important to note that only those faculty who had been scheduled for termination were eligible for participation. Characteristics inherent in Michigan State's plan therefore are not examined here, since participants had little choice in "opting" to take phased retirement.

Following is a list of characteristics found in the three most successful phased retirement plans (Figure 2). None of the three institutions categorized as having "successful" plans (University of California, University of New Hampshire and Utah State) has all of these characteristics present in a phased retirement plan. Some combination of these characteristics, however, may be necessary ingredients for a phased retirement plan at The University of Tennessee. It cannot be overemphasized that these characteristics can in no way be construed as being predictive of a plan which will attract many participants and generate financial savings. For the most part, the plans have been in effect only a short time, and the institutions are unable to report any conclusive evidence regarding

Liberalized Time Reduction

Insurance coverage provided same as for full-time faculty

Sabbatical Leave

Sick and Annual Leave

Salary Increases

Retirement Counseling

Liberal Eligibility Requirements

Membership in Emeriti Association

Supplemental Stipend

Educational Benefits

Parking

Faculty Discounts

Use of Educational Facilities

Figure 2. CHARACTERISTICS FOUND IN SUCCESSFUL PHASED RETIREMENT PLANS

their effectiveness. As was stressed earlier. A phased retirement plan can be judged as to its effectiveness only after a substantial time period has elapsed (ten to twenty years). Nonetheless, the existence of the characteristics found in Figure 2 may provide the cutting edge between a plan that is attractive to only a few isolated individuals, and one that will attract a large number of participants.

SUMMARY

This paper examined phased retirement plans among land-grant colleges and universities to determine their prevalence, their salient characteristics, and their effectiveness. Successful phased retirement plans meet three objectives: they provide a vehicle to help senior faculty ease into retirement gradually, with dignity and grace; they relieve financial pressures on their institutions; and they permit qualitative change by allocating positions for new faculty. Three institutions of higher education are experiencing success with their phased retirement programs. The elements of these effective programs should be incorporated into any institution's plan, to help ensure that the plan is successful.

SIGNIFICANCE OF THE STUDY

A phased retirement plan for elementary and secondary schools could prove beneficial. As teachers age, many of them (unfortunately) tend to become less productive. They would like to retire, but fear that their retirement income may be insufficient. Consequently, they continue to teach, and the quality of the institution suffers. Phased retirement could allow these senior faculty a means to gradually cut back on their teaching duties and their salaries. They might do better jobs of teaching if they could concentrate on just one or two classes per day, and dispense with many duties that are unrelated to teaching (bus duty, study hall, etc.).

Plus, if a number of senior faculty elect to participate in phased retirement, considerable salary monies could be saved. These monies could be used several ways. Other part-time teachers could be hired. These could possibly be business and professional people who could teach an advanced math course. They could be scientists who could teach a physics or science class. They could be computer programmers who offer a computer science class. The monies saved could shore up flagging science or math programs.

The salary savings could be used to supplement other teachers' incomes. The monies could be the basis for merit pay raises for faculty. Monies saved could be put into a fund available for use by teachers who wish to take graduate courses, or supplemental training. The uses for the monies are virtually limitless.

The potential benefits of a phased retirement program are many and varied. Naturally, each institution, whether higher education or K-12, must examine the feasibility of such a program in the light of its particular needs. More and more research is showing that it is an option worth trying.

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